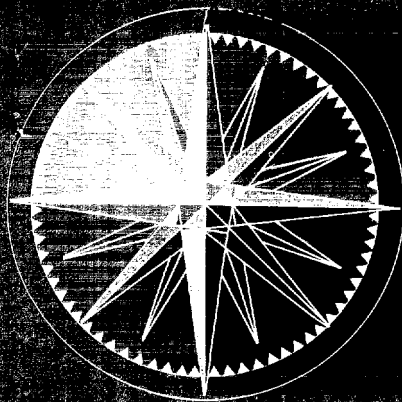


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SPECIAL REPORT

WEST GERMAN POLICY TOWARD ISRAEL AND EGYPT

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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WEST GERMAN POLICY TOWARD ISRAEL AND EGYPT

West Germany continues to walk a tightrope in its effort to keep on friendly terms with both the UAR and Israel. Resentment of Bonn's past policies of indemnifying Israel has created a barrier to the expansion of West German influence anywhere in the Arab world, but with much Western sentiment on the side of the Israelis Bonn can ill afford to alter its relationship with them. On the other hand, it must withhold outright recognition of Tel Aviv for fear that Cairo--and inevitably the rest of the Arab world--would retaliate by recognizing East Germany. The West German Government thus far has done a passable job of catering to the sensitivities of both Israel and Egypt without alienating either one, so there is little present likelihood that this policy will undergo any drastic change.

Basis for Bonn's Policy

West Germany has made a conscientious effort to cultivate good relations with Israel, and has provided it with a great deal of economic assistance during the past several years. The main reasons for this are an acknowledged moral obligation, and Bonn's desire to avoid losing any good will among Israel's many friends in the West. On the other hand, the Federal Republic's main preoccupation in the Middle East has been to prevent the recognition of the East German regime by the Arab countries. To this end Bonn has also given economic aid to the Arab countries and has assiduously avoided any actions--such as establishing diplomatic relations with Israel--that might cause them to recognize Pankow in retaliation.

Bonn argues that its policy with respect to the Arab coun-

tries conforms with the overall Western objective of containing the southward expansion of Soviet influence into the Middle East. Indeed, the West Germans feel they are in a unique position to contribute to the achievement of this objective. They assert that France and the United Kingdom, because of their colonial pasts and their part in the Suez affair, and, to a lesser extent, the United States, because of its support of Israel, are at something of a disadvantage in dealing with the Arabs.

It is this breach in the Western position in the Middle East that the Germans think they can fill. The Federal Republic has made a special effort to foster good relations with the UAR. This is not only because the UAR happens to be the leading Arab country, but also because of Cairo's receptiveness to West German

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overtures and its interest in German technical know-how. Bonn would also say that its presence in the UAR serves to offset that of the Soviet Union.

Relations With Israel

In seeming imitation of Bonn's own Hallstein Doctrine--no diplomatic relations with any country (except the USSR) recognizing East Germany--Nasir has taken the position that Cairo will consider the Federal Republic the only legal German government only so long as it does not recognize Israel.

Despite Nasir's stand, the idea of formal diplomatic relations with Israel has strong support in West Germany. Leading figures associated with Chancellor Erhard's Christian Democratic Union (CDU), including ex-chancellor Adenauer and former defense minister Strauss, have spoken out in favor of the idea. Most Bundestag delegates from the Free Democratic and Social Democratic parties also support such a move. The CDU majority, however, and the Foreign Ministry remain firmly opposed to recognizing Tel Aviv on the ground that it would not be to the advantage of either the Federal Republic or Israel for Bonn to weaken its influence in the Middle East in this way. They claim, moreover, that West Germany has done as much for Israel as if diplomatic relations had been established.

Chancellor Erhard has personally supported these arguments. He is on record as saying that West Germany is already fulfilling its moral obligation to Israel and that the question of formal diplomatic relations is of a lower order of importance.

Economic Aid to Both

West Germany's economic aid to Israel has been almost entirely in the form of reparations and restitution payments. Since the signing of their reparations agreement in 1952, Israel has received an average of \$120 million annually from the Federal Republic. A little less than 60 percent of this amount has been in the form of West German products. The rest involved direct money payments to Israeli citizens in compensation for individual losses resulting from the Nazi persecution.

The last payments under this agreement were made earlier this year and the question for Bonn now is whether economic aid to Israel will continue and, if so, to what extent. It probably will continue, but at a greatly reduced rate and largely as long-term loans. Bonn realizes that any further aid to Israel will be severely criticized by the Arabs, but believes it can tailor such aid in a way that will minimize the Arab reactions.

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West Germany's economic assistance to Egypt has consisted mostly of long-term export credit guarantees and long-term development loans. Also, since 1961, the Federal Republic has financed technical assistance programs in the UAR to the extent of about \$14 million.

At the present time, the UAR has unused West German export credit guarantees amounting to \$62.5 million. In April 1963, the Bundestag approved a commitment to Egypt of \$57.5 million in long-term development loans. The bulk of this commitment has been designated for the development of hydroelectric power and for the construction of bridges over the Nile River.

Less than \$1.25 million of the West German funds available to Egypt have been disbursed so far. The rest of the money will be parceled out as West German and Egyptian officials agree on specific projects.

German Scientists in the UAR

The presence of West German scientific personnel working on various projects in Egypt has created a difficult situation for Bonn. The Israelis charge that these people are engaged in the development and production of weapons which one day will be used in an attempt to destroy Israel. The West German Foreign Ministry, however, insists it has no evidence to support Israeli charges that German scientists in the UAR are working on the development of nuclear weapons.

Israeli protests have nevertheless had a sufficiently heavy impact on West German opinion to prompt the Bundestag to do something about it. A year ago the deputies called on the government to submit a bill that would empower it to prevent German scientists from working abroad on projects involving the manufacture of weapons of mass destruction and their carriers, but the government has never gotten around to complying with this resolution. The opposition to such a law derives principally from concern about Nasir's reaction, but there is also some fear that it might give the government too much power to interfere with the legal right of West Germans to work wherever and on whatever they please.

Outlook

Barring some major change in the Middle East situation or Bonn's abandonment of the Hallstein Doctrine, no significant change in Bonn's relations with either Israel or the UAR is likely in the foreseeable future. The Federal Republic will continue its efforts to maintain good relations with both countries, and economic assistance will undoubtedly be the principal means of doing so. However, its freedom of action will remain severely circumscribed by the deep hostility between the two countries and conflicting pressures at home.

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